Cities, Devolution and Growth: The economic case for more powerful UK cities

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Globally economic activity is concentrating in cities
And it is the same in the UK
Cities matter to the UK economy

Cities make up just 9% of the UK’s landmass ...

1. Businesses: 53%
2. Population: 54%
3. Jobs: 58%
4. GVA: 60%
5. Foreign owned businesses: 64%
6. High skilled workers: 72%
7. New migrants: 79%

... but make a much bigger contribution to the national economy
And they matter to regional economic performance.
National recovery is a city-led recovery.
But our large cities punch well below their weight...

<table>
<thead>
<tr>
<th></th>
<th>Employment rate, Jul 2012-Jun 2013 (%)</th>
<th>Business start-ups per 10,000 population, 2012</th>
<th>Residents with high level qualifications, 2012 (%)</th>
<th>Residents with no formal qualifications, 2012 (%)</th>
<th>Workplace earnings, 2012 (£)</th>
</tr>
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<tbody>
<tr>
<td>UK Average</td>
<td>71</td>
<td>42.3</td>
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<td>London</td>
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</tbody>
</table>


Green signifies that a city outperforms the national average, whereas red means that it underperforms it.
And face a big challenge to retain talent...

Net migration to London by age group and city size, 2009-2012

22-30 year old migration flows

Out of London
-1,245 - 500
-499 - 0

In to London
1 - 1,000
1,001 - 6,000
6,001 - 10,000

Source: ONS 2013, Internal Migration by Local Authorities in England and Wales
Contains Ordnance Survey data © Crown copyright and database right 2013
...meaning the UK economy can appear ‘unbalanced’
Coalition policies to boost city growth

2011: The Localism Act

2012-14: Two rounds of City Deals

2014: Local Growth Deals

2014: Greater Manchester Deal
But cities still have little control over their money
City growth can be a doorstep issue at the Election

Housing affordability

- Oxford: Ave. home = 5x ave. salary
- Barnsley: Ave. home = 15x ave. salary

- 64% of unemployment is in cities
- 67% of housing benefit is spent in cities
Making the most of UK cities

- **Need for change in powers and funding**
  - Cities and Prosperity Act – with initial focus on Greater Manchester & Leeds
  - Spending Review – focus on cities and city regions
  - Integrated City Budgets – welfare, rewards for success
  - Transport funding and control
  - Increased tax and borrowing powers

- **Cities need to step up**
  - Metro Mayors and Combined Authorities
  - Taking on risk as well as responsibility
Is it a realistic aim for policy to “rebalance the economy”?

Can UK cities fulfill their potential without elements of fiscal devolution?

Will city devolution lead to greater disparities between and within regions? What does this mean for policy?
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